GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1594
ANSWERED ON:13.12.2013
PRODUCTION FROM KG D BASIN
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the target of Production from the Krishna-Godavari D6 basin was fixed in 2006;

(b) if so, the details thereof;

(c) whether the estimates of the quantum of capital to be invested in the project werebased on these targets and if so, the details thereof;

(d) whether the sale price of products produced from the basin was determined on thebasis of the capital invested and if so, the details thereof; and

(e) whether the price of products produced from the said basin has been fixed at higher rate than previously determined and if so, the details thereof along with the corrective measures taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. PANABAAKA LAKSHMi):

(a)& (b) The work programme and production profile in the Addendum to Initial Development Plan (AIDP) for D1 and D3 gas discoveries in KG-DWN-98/3 (KG-D6) block was approved by the Management Committee (MC) of the block on 12.12.2006. The approved AIDP envisaged cumulative gas production of 10.03 Trillion Cubic Feet (TCF) over a period of 13 years with peak gas production rate of 80 Million Standard Cubic Meters per Day (MMSCMD) for 6 years.

(c) Separately, the AIDP envisaged estimated capital investment to the tune of US$ 8.835 Billion for drilling, completing and connecting 50 sub-sea welis to produce about 10.03 TCF gas reserves and associated production facilities and pipelines in offshore and onshore for transporting and processing the produced gas.

(d)& (e) Under the provisions of the Production Sharing Contracts (PSCs) under the New Exploration Licensing Policy (NELP) regime, the Contractor shall endeavour to sell ali Natural Gas produced and saved from the Contract Area, at arms-length prices, to the benefit of Parties to the Contract. The Government, as per the provisions of NELP Contracts, shall approve the formula or basis on which Natural Gas prices shall be determined.

The Empowered Group of Ministers (EGoM), in its meeting held on 12.9.2007, approved the price formula for the gas produced under KG-DWN-98/3 Production Sharing Contract (PSC) for 5 years from the date of commencement of supply. Based on the recommendation of EGoM, the current gas price works out to be US $ 4.2 per MMBTU at crude price greater or equal to US$ 60 per barrel.

Further, the Government has approved the Natural gas Pricing Guidelines, 2013 based on recommendations of the Rangarajan Committee, headed by Dr. Rangarajn, Chairman, Prime Minister`s Economic Advisory Council. The Guidelines will be applicable from 1st April, 2014 and will be valid for a period of five (5) years. Highiights of the Natural Gas Pricing Guidelines, 2013 are at Annexure.

Annexure

The highlights of Natural Gas Pricing Guidelines approved by the Government are as under: # Domestic natural gas pricing will be based on the methodology suggested by the Rangarajan Committee. # These guidelines will be applicable to all natural gas produced domestically, irrespective of the source, whether conventional, shale, CBM etc. These guidelines shall apply from 1st April, 2014, with certain exclusions. # These guidelines shall not be applicable where prices have been fixed contractually for a certain period of time, till the end of such period. These guidelines shall also not be applicable where the contract provides a specific formula for natural gas price indexation / fixation. # The prices shall be applicable for all consuming sectors uniformly. # The prices will be applicable for natural gas produced by ONGC / OIL from their nominated fields. # Gas prices would be notified on quarterly basis. # These Policy Guidelines shall be applicable for a five year period from 1st April, 2014.